

NORTHEAST DELTA HUMAN
SERVICES AUTHORITY

LOUISIANA DEPARTMENT OF HEALTH
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
JUNE 9, 2021

**LOUISIANA LEGISLATIVE AUDITOR
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Louisiana Legislative Auditor

Michael J. “Mike” Waguespack, CPA

Northeast Delta Human Services Authority



June 2021

Audit Control # 80210029

Introduction

The primary purpose of our procedures at the Northeast Delta Human Services Authority (NEDHSA) was to evaluate certain controls NEDHSA uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and accountability over public funds. In addition, we determined whether management has taken action to correct the findings reported in the prior report.

Results of Our Procedures

We evaluated NEDHSA’s operations and system of internal control through inquiry, observation, and review of its policies and procedures, including a review of the applicable laws and regulations. Based on the documentation of NEDHSA’s controls and our understanding of related laws and regulations, and the results of our analytical procedures, we performed procedures on selected controls and transactions relating to cash, accounts receivable, purchasing card expenses, Fueltrac card access, contract expenses, revenue billings, and payroll expenses.

Follow-up on Prior-report Findings

We reviewed the status of the two prior-report findings in NEDHSA’s procedural report dated July 10, 2019. We determined that management has resolved the prior-report findings related to Not Billing for Services Provided and Contract Award Documents Lack Required Identifying Information.

Current-report Findings

Failure to Comply with Office of Debt Recovery Collections Agreement

NEDHSA failed to comply with its agreement with the Office of Debt Recovery (ODR) for the collection of delinquent account balances owed, increasing the risk that the account balances will become uncollectible.

NEDHSA entered into an Agency Participation Agreement with ODR in November 2018; however, NEDHSA made an executive decision in April 2020 to stop performing the following responsibilities as required by the agreement:

- Sending out billing statements requesting payment from self-pay clients for services provided.
- Sending delinquent account balances to ODR for collection once the account balances have been delinquent for 60 days.

In addition, NEDHSA did not notify ODR of its inability to send delinquent accounts balances in order to work out a compliance plan with ODR, as required by the agreement.

Management should comply with all terms of its agreement with ODR to ensure sufficient efforts are made to collect delinquent account balances in a timely manner. Management did not concur with the finding and noted sending debts to ODR would have violated the agreement with ODR since NEDHSA had suspended its patient billing (See Appendix A, pages 1-3).

Additional Comments: NEDHSA has an agreement with ODR that requires requesting payment from debtors and to submit all account balances as the debt becomes 60 days delinquent, or to notify ODR of its inability to do so. It has been a year since NEDHSA requested payment from debtors or submitted delinquent account balances to ODR, and ODR has not been notified, which is in violation of the agreement.

Prior Authorizations Not Obtained for Client Services Provided

NEDHSA employees did not consistently obtain prior authorizations to bill Medicaid, Medicare, and private insurance companies for services provided to clients, as required by insurers' contract terms. As a result, NEDHSA did not collect, but wrote off \$37,322 of self-generated revenues during the two fiscal years ending June 30, 2021, as of December 31, 2020. Good business practices require that all insurers' contract terms be met to avoid denied claims and lost revenues.

Management should strengthen controls over its billing process to include training and monitoring billing employees to ensure insurers' prior authorizations contract terms are followed. Management concurred with the finding and outlined a plan of corrective action (See Appendix A, pages 4-5).

Cash

NEDHSA maintains five local bank accounts for its clinics located in Bastrop, Columbia, Winnsboro, Monroe, Tallulah, and Ruston; and another local bank account for Lincoln and Union Parish police jury funds restricted for the use in those parishes. The cash balance at June 30, 2020, per NEDHSA's Annual Fiscal Report, was \$658,090. We obtained an understanding of NEDHSA's controls over the bank accounts, evaluated the segregation of duties, and reviewed bank reconciliations and remittances of collections to the State Treasury, for the months of

November 2019, June 2020, October 2020, and January 2021. Based on the results of our procedures, NEDHSA had adequate controls in place to ensure appropriate segregation of employees' duties, bank reconciliations are prepared and reviewed timely, and collections are remitted.

Accounts Receivable

NEDHSA is required to report accounts receivable balances to the Office of Statewide Reporting and Accounting Policy (OSRAP) on a quarterly basis. We obtained an understanding of NEDHSA's methodology for determining accounts receivable balances for submission to OSRAP. We reviewed receivable balances generated in the CT One electronic health record system for the months July 2019 through December 2020. We agreed current receivables, long-term receivables, and write-off amounts from the CT One system data to agency prepared spreadsheets used to report accounts receivable amounts for the quarter December 30, 2020. Based on the results of our procedures, NEDHSA had adequate controls in place to ensure that the accounts receivable amounts reported to OSRAP were supported. However, NEDHSA failed to comply with its agreement with the ODR for the collection of delinquent account balances owed (see Current-report Findings section).

Purchasing Card Expenses

NEDHSA participates in the state of Louisiana's LaCarte purchasing card program for general office supplies and administrative expenses. We obtained an understanding of NEDHSA's policies and procedures relating to access and use of the purchasing cards.

We analyzed LaCarte card transaction listings for the period July 1, 2019, through March 10, 2021, and examined support for selected transactions. We also examined training certifications for cardholders, supervisors, and the card administrator. Based on the results of our procedures, NEDHSA had adequate controls to ensure that purchases were approved and made for proper business purposes; sufficient documentation was maintained to support purchases; and purchases were properly reconciled to invoices and receipts.

Fueltrac Card Access

NEDHSA also participates in the state of Louisiana's Fueltrac Card program and uses fuel cards to make gas and auto maintenance and repair purchases. We obtained an understanding of NEDHSA's policies and procedures relating to the security of the fuel card access. We physically observed the location of the cards maintained in the administrative office at the Monroe clinic. Based on the results of these procedures, we found that NEDHSA has adequate physical controls over its Fueltrac cards to prevent unauthorized use.

Contract Expenses

We obtained an understanding of NEDHSA's policies and procedures relating to contract expenses. We reviewed listings of the contracts in effect for the two fiscal years ending June 30, 2021, as of January 21, 2021. We selected ten contracts for communication services, psychiatric services, psychological services, social services, and prevention and wellness services; and examined the contracts, subrecipient determination check lists, monitoring documents, and invoice payments made for the months of September 2019, October 2019, February 2020, April 2020, July 2020, October 2020, November 2020, and December 2020. Based on the results of our procedures, no exceptions were identified.

Revenue Billings

NEDHSA uses the CT One electronic health record system to bill for services provided to its clients and to maintain medical records for services rendered and billing amounts owed. We obtained an understanding of NEDHSA's controls over revenue billings. We reviewed system reports of charges billed, payments, adjustments, and write-offs made to clients' accounts for the two fiscal years ending June 30, 2021, as of December 31, 2020. We selected and examined supporting documentation for charges to eighteen clients and inquired about write-offs. Based on the results of our procedures, NEDHSA did not consistently obtain prior authorizations for services provided to clients, as required by insurers' contract terms owed (see Current-report Findings section).

Payroll Expenses

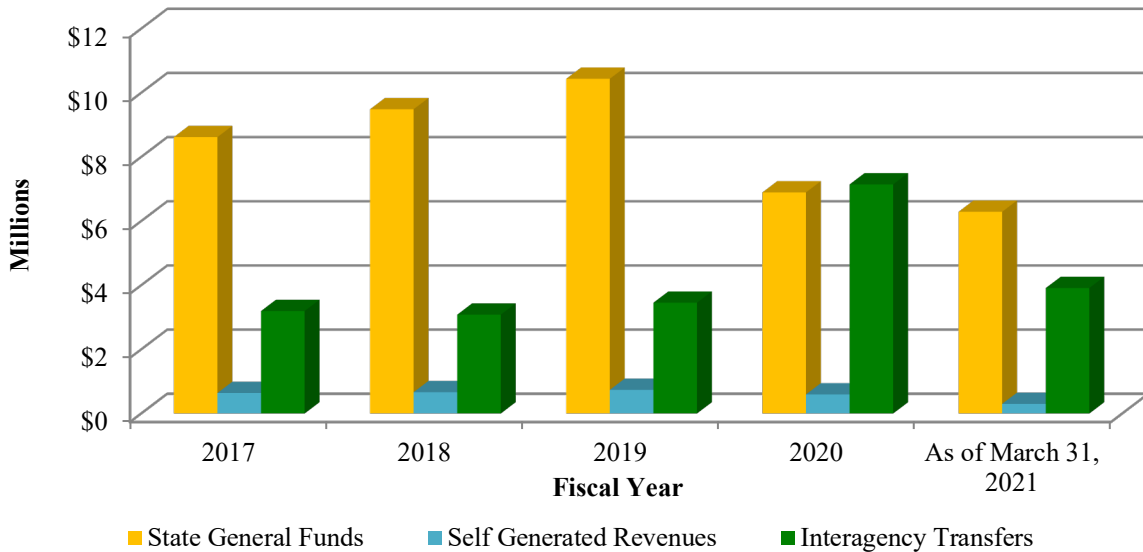
Salaries and related benefits comprised approximately 66% of NEDHSA's expenses in fiscal year 2020. We obtained an understanding of NEDHSA's controls over the time and attendance function and examined selected employee time statements and leave records for the pay periods ending March 7, 2020, March 22, 2020, April 5, 2020, and September 6, 2020. We also reviewed a listing of pay rate changes for the period July 1, 2019 through January 25, 2021, and examined selected employees' pay rate authorizations. Based on the results of our procedures, NEDHSA had adequate controls in place to ensure timely review and approval of employee time statements and leave requests, employees were paid the amounts authorized, and leave taken was accounted for properly.

Trend Analysis

We compared the most current and prior-year financial activity using NEDHSA's Annual Fiscal Reports and/or system-generated reports and obtained explanations from NEDHSA management for any significant variances. We also prepared an analysis of NEDHSA's revenues and expenses over the last five fiscal years as of March 31, 2021 to identify trends, as shown in Exhibits 1 and 2.

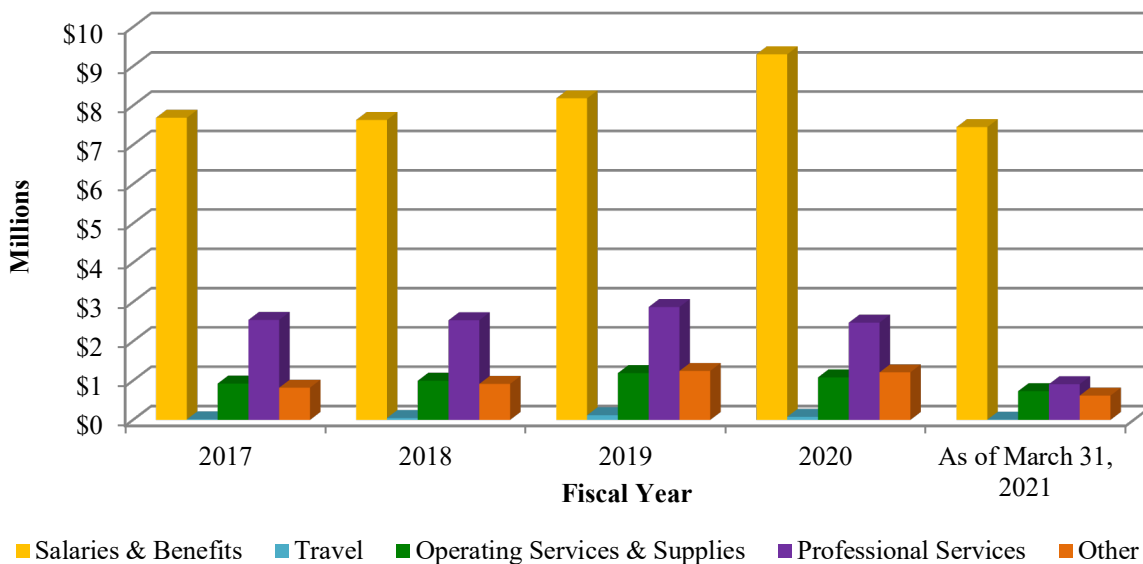
In the past five fiscal years, state general fund revenues steadily increased until fiscal year (FY) 2020 when these funds were reduced by approximately \$3.5 million due to a budget adjustment for Coronavirus Aid, Relief, and Economic Security (CARES) Act federal funds received in FY 2020 as interagency transfers (IAT). Approximately \$2.5 million of CARES funds were received in FY 2021, as of March 31, 2021. Salaries and benefits remained fairly stable until these expenses increased in FY 2020, mainly due to market rate salary adjustments, an increase in overtime payments for staffing of a COVID-19 isolation shelter, and filling staff vacancies.

Exhibit 1: Five-Year Revenue Trend



Source: Integrated Statewide Information System 2G15 Reports

Exhibit 2: Five-Year Expense Trend



Source: Integrated Statewide Information System 2G15 Reports

Under Louisiana Revised Statute 24:513, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Mike Waguespack", with a stylized flourish extending to the right.

Michael J. "Mike" Waguespack, CPA
Legislative Auditor

KVL:BAC:BH:EFS:aa

NEDHSA2021

APPENDIX A: MANAGEMENT'S RESPONSES



Mental Health • Addiction Disorders
Developmental Disabilities

May 6, 2021

Michael J. "Mike" Waguespack, CPA
Legislative Auditor
1600 North Third St.
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear. Mr. Waguespack,

NEDHSA Management provides the following response to the reportable audit finding in your letter dated May 3, 2021:

Failure to Comply with Office of Debt Recovery (ODR) Collections Agreement

Response: NEDHSA does not concur with the individual finding and recommendation.

In reference to not "sending out billing statements requesting payment from self-pay clients for services provided:"

On March 22, 2020, Governor John Bel Edwards issued a Stay at Home Order, directing all Louisiana residents to shelter at home and limit movements outside of their homes beyond essential needs. In April 2020, NEDHSA Executive Management Team (EMT) discussed and agreed to temporarily suspend patient billing. This decision was not made lightly. The decision was based on a pandemic, the economic realities of the people we serve, and the potential negative clinical treatment outcomes should patients' dropout of lifesaving services due to their inability to pay. We showed compassion and clinical constraint so as to not disrupt the critical care of people with serious mental illnesses and various forms of alcohol and drug addiction.

In reference to not "sending delinquent account balances to ODR for collection once the account balances have been delinquent for 60 days:"

Our last ODR submission occurred on April 30, 2020 and included all delinquent accounts at that time.

Per ODR's APA, "delinquent debt" means a debt that is sixty (60) days or more past due. ODR's Agency Guide, further states that prior to placing a debt with ODR, the debtor

must be notified by the Agency that the debt will soon be sent to ODR for collection and that a 25% fee may be added to the balance owed. A 60-day referral letter must be mailed 60 days prior to placement and a 30-day referral letter must be mailed giving the debtor a reminder that they have 30 more days to pay the debt before placement with ODR.

As patient billing was temporarily suspended, patients did not receive notification informing them of a debt owed. Therefore, the debt has not yet become delinquent. Per ODR's APA, the following procedures must be followed prior to placing debt with ODR:

- Send the debtor proper notice that:
 - a. Requests payment of the debt;
 - b. Contains information necessary to identify the nature and amount of the debt;
 - c. Notifies the debtor that failure to pay the delinquent debt in full within 60 days will cause the debt to be transferred to the Office for collection; and
 - d. Notify the debtor that an additional collection fee of up to twenty-five percent (25%) of the total debt liability will be added to the delinquent debt upon transfer to the office for collection.

- Send ODR a copy of the notice or information contained in the notices;

Attempting to place debt with ODR prior to following the above procedures would have been a direct violation of our agreement with ODR.

In reference to NEDHSA's failure to "notify ODR of its inability to send delinquent account balances in order to work out a compliance plan with ODR:"

No compliance plan was needed. The compliance plan referenced in ODR's APA is specific to delinquent debt. As previously stated, the above procedures must be performed in order for debt to be deemed delinquent and eligible for placement with ODR.

NEDHSA resumed patient billing in May 2021. NEDHSA patients were billed for all services provided from April 2020 through May 2021. Payment arrangements are being offered in order to assist clients with paying outstanding balances. However, collection procedures will begin for any clients refusing to pay and/or make arrangements by August 2021. The required 60-day notice informing clients they have sixty (60) days to pay their balance before the debt will be considered final and transferred ODR will be sent in September 2021. And, the required 30-day notice informing clients they have thirty (30) days to pay their delinquent debt before the debt will be considered final and transferred to ODR; and after transfer, the debt is subject to an additional collection fee of up to twenty-five percent (25%) of the total debt liability, as provided for in LA R.S.

47:1676 (E) will be sent in October 2021. Delinquent debt will be sent to ODR in November 2021.

If you should have any questions regarding NEDHSA's response to the finding and recommendations, please do not hesitate to contact me at (318) 362-3270 or by email at monteic.sizer@la.gov.

Sincerely,

Dr. Monteic A. Sizer

Dr. Monteic A. Sizer (May 11, 2021 15:19 CDT)



Dr. Monteic A. Sizer
Executive Director
Northeast Delta HSA



Mental Health • Addiction Disorders
Developmental Disabilities

May 24, 2021

Michael J. "Mike" Waguespack, CPA
Legislative Auditor
1600 North Third St.
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dear. Mr. Waguespack,

Northeast Delta Human Services Authority's (NEDHSA) Management provides the following response to the reportable audit finding in your letter dated May 21, 2021.

Finding: Prior Authorizations Not Obtained for Client Services Provided

Response: NEDHSA concurs with the individual finding and recommendation.

In August 2020, NEDHSA's Central Billing Office (CBO) began requiring all clinics to track and submit prior authorizations via an MS Excel spreadsheet monthly. Implementation of this new process decreased the number of claim denials associated with "No Prior Authorization." However, this process only tracked and monitored prior authorizations and did not initiate them.

In the future, and before services requiring prior authorizations are provided, clinical staff will obtain the necessary approvals needed to bill for eligible services. Additionally, to improve continuity between clinical staff responsible for obtaining prior authorizations, tracking authorized services/visits, and getting the dates needed for re-authorizations, the Director of Clinical Services is currently automating these processes within our electronic health record (EHR). By automating these processes, clinical staff will easily track and monitor authorizations within the client's electronic health record. When clinical staff obtains the required authorizations, the number of authorized visits will be entered into the EHR by the designated clinical staff. The system will then track the number of remaining visits and notify clinical providers when the recertification should occur.

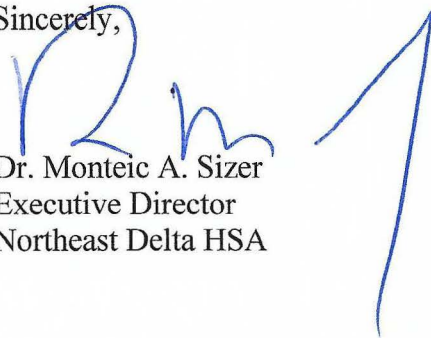
Another added compliance process will require providers to obtain required authorizations before scheduling appointments. This process will be monitored weekly by administrative staff at each clinic location. Planned scheduled appointments without prior authorizations will be rescheduled until the approval has been obtained and verified. Administrative staff

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www.nedeltahsa.org

will also be responsible for keeping providers informed of the number of remaining visits to avoid future problems.

If you should have any questions regarding NEDHSA's response to the finding and recommendations, please do not hesitate to contact me at (318) 362-3270 or by email at monteic.sizer@la.gov.

Sincerely,



Dr. Monteic A. Sizer
Executive Director
Northeast Delta HSA

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at Northeast Delta Human Services Authority (NEDHSA) for the period from July 1, 2019, through June 1, 2021. Our objective was to evaluate certain controls NEDHSA uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and accountability over public funds. The scope of our procedures, which is summarized below, was significantly less than an audit conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit or review NEDHSA's Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. NEDHSA's accounts, under the Louisiana Department of Health are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

- We evaluated NEDHSA's operations and system of internal controls through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to NEDHSA.
- Based on the documentation of NEDHSA's controls and our understanding of related laws and regulations, and results of our analytical procedures, we performed procedures on selected controls and transactions relating to cash, accounts receivable, purchasing card expenses, Fueltrac card access, contract expenses, revenue billings, and payroll expenses.
- We compared the most current and prior-year financial activity using NEDHSA's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from NEDHSA's management for any significant variances that could potentially indicate areas of risk.

The purpose of this report is solely to describe the scope of our work at NEDHSA, and not to provide an opinion on the effectiveness of NEDHSA's internal control over financial reporting or on compliance. Accordingly, this report is not intended to be, and should not be, used for any other purpose.